



RECEIVED

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1850 M Street, NW  
Suite 300  
Washington, DC 20036  
Tel: (202) 367 7600  
www.winstar.com

*Via Overnight Mail*

April 1, 2004

Joe Werner  
Telecommunications Chief  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243-0505

**Re: Docket # 04-00050  
Winstar Communications, LLC (Winstar) Responses to  
Commission Follow-Up Requests to the Company's  
Application to Provide Competing Local  
Telecommunications Services**

Dear Mr. Werner:

Please find enclosed an original plus thirteen (13) copies of Winstar's responses and Exhibits in responses to your March 18, 2004 letter for Questions 1-9. Responses to Nos. 10 and 11 will be filed as that information is compiled.

1. Provide a list of states in which Winstar is certificated.

**RESPONSE:** Winstar has local exchange authority in 46 states, as well as the District of Columbia. Winstar is working with Commission staff in ID, TN and NV in order to gain local exchange authority. Winstar does not have local authority in Alaska.

2. Provide year-end 2002 and 2003 financial statements for Winstar.

**RESPONSE:** See Exhibit N

3. Provide projected financials for 2004 – 2006.

**RESPONSE:** See Exhibit O

4. Provide ILEC notification certification including the date notice was mailed.



**RESPONSE:** See Exhibit P

5. Provide a detailed sworn testimony describing Winstar's financial ability to provide telecommunications services in Tennessee or a sworn statement from IDT guaranteeing when and how IDT's funds will be distributed to guarantee Winstar's financial ability on a going-forward basis.

**RESPONSE:** See Exhibit Q, which demonstrates Winstar's commitment to meet its financial obligations through its surety bond.

6. Provide a listing of all complaints filed with state and federal regulatory agencies involving Winstar, or affiliated companies.

**RESPONSE:** There have been a small number of customer complaints, but none have been escalated into a Commission or Attorney General investigation. All customer complaints are resolved to the customer's satisfaction.

7. Proceed to file the UD-16 reports for 2001 and 2002 and remit the inspection fees due.

**RESPONSE:** As stated in its Application dated February 12, 2004, Winstar was incorporated on December 31, 2001. Therefore, the Company has no revenue numbers to report for 2001. The UDC-16 report and Inspection Fee for 2002 were overnighted to Laura Foreman on March 26, 2004.

8. Do the customers that were transferred to Winstar from Winstar Wireless, Inc. still exist today in Tennessee as Winstar customers?

**RESPONSE:** Yes, the long distance data customers are still customers. Winstar has no local exchange customers in Tennessee.

9. Provide a surety bond in the amount of \$20,000.

**RESPONSE:** See Exhibit Q

Please date-stamp the extra copy of this letter and return it in the enclosed self-addressed stamped envelope. Should you have any questions, please contact the undersigned at (202) 367-7652.



Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mac McIntyre'.

Mac McIntyre  
Regulatory Compliance Manager

Enclosures

## Winstar Communications, LLC

## Statement of Operations - for the year ended 12-31-2002

	CALENDAR YEAR December 31 2002
Net Revenue - External	109,731,026
Net Revenue - Interco (IDT Telecom)	822,068
	<u>110,553,094</u>
Cost of Revenue	103,783,432
Transfer from SG&A - Network Costs	30,227,795
	<u>134,011,228</u>
Gross Profit	(23,458,134)
Selling, General and Administration	
<u>Variable expenses</u>	
Commissions & MBO Bonuses	3,781,035
Agent Commissions	109,195
Bill Production	826,898
Provision for Bad Debt	7,022,998
<u>Total variable expenses</u>	<u>11,740,126</u>
<u>Departmental expenses</u>	
Employee Compensation	48,379,198
Employee Benefits & Payroll Taxes	8,828,022
Outside Services - Temp	1,362,922
Employee Motivation & Incentives	2,020,979
Dues & Subscriptions	161,989
Training Programs	8,783
Recruiting and Relocation	213,720
Travel and Entertainment	1,140,915
Supplies (Office & Kitchen)	191,472
PC Consumables	4,194
H/W Maintenance & S/W License Fees	1,749,320
Occupancy - Switches	8,668,098
Occupancy - Wireless Network	22,953,181
Occupancy - Warehouse	847,042
Communications - Personal	291,051
Communications - Ent Net	73,773
Communications - Call Center	493,639
Outside Services - General	561,552
Freight, Postage & Messenger	374,911
Network Operations	1,422,905
Legal Services	58,966
Financial Services	178,351
Production Operations	658,913
Outside Services - Consulting	1,519,430
Marketing Programs	446,111
Occupancy - General	8,464,828
Communications - General	1,087,412
Outside Services - Equipment Rental	18,159
Help Desk	372,744
Site Acquisition Communication Programs	-
Miscellaneous	77,024
<u>Total Departmental Expenses</u>	<u>112,629,603</u>
<u>Unallocated expenses</u>	
Insurance	965,962
Property & other taxes	(1,326,735)
<u>Total Unallocated Expenses</u>	<u>(360,773)</u>
Transfer to COR - Network Costs	(29,781,795)
Capitalized Costs	-
Total Selling, General and Administration	<u>94,227,160</u>
EBITDA	<u>(117,685,294)</u>
Depreciation and amortization	11,447,762
Operating Income (Loss)	(129,133,056)
Other Income/(Expense)	
Interest expense	-
Interest income	246,777
Other	23,778
Net Gain (Loss)	<u>(128,862,501)</u>

**Winstar Communications, LLC**  
**Balance Sheet for the Year Ended 12-31-2002**

	Current Balance
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	2,486,427
Accounts receivable, net of allowance for doubtful accounts	7,889,817
Inventories and assets held for sale	5,796,573
Prepaid expenses and other current assets	16,116,862
Total current assets	32,289,679
Property and equipment, net	28,776,284
Licenses, net	12,112,320
Goodwill	5,629,313
Other intangible assets, net	6,438,513
Other assets	6,745,819
Total assets	91,991,928
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
Current liabilities	
Current portion of long-term debt	-
Accounts payable and accrued expenses	39,141,248
Deferred revenue - current	579,386
Intercompany payable	42,819,119
Total current liabilities	82,539,753
Stockholder's equity	
Additional paid-in-capital	143,238,271
Additional paid-in-capital - minority shareholders	-
Accumulated deficit	(133,786,822)
Total stockholder's equity	9,451,449
Total liabilities, redeemable preferred stock and stockholders' equity	91,991,201

**Consolidated Balance Sheet at 12/31/03****Winstar Consolidated**

	<b>Balance at Dec-03</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	1,202,361
Trade accounts & comm receivable, gross	21,844,197
Less: Allowance for doubtful accounts	(11,730,230)
Trade accounts receivable, net	10,113,968
Investments - Short Term	-
Notes Receivable - Current	-
Inventory	1,668,298
Other	10,485,034
Other Current Assets	12,153,332
Total Current Assets	23,469,660
Property, plant and equipment, gross	48,969,183
Less: Accumulated depreciation	(18,092,033)
Property, plant and equipment, net	30,877,150
Identified Intangibles	14,742,649
Notes Receivable - Long Term	51,878
Goodwill	5,629,313
Intercompany Receivables (Payables)	(109,866,295)
Investments - Subsidiaries	135,398,929
Other Non Current Assets	1,536,445
Total Assets	101,839,729
<b>Liabilities and stockholders' equity</b>	
<b>Current Liabilities</b>	
Trade Accounts Payable	6,864,927
Accrued Expenses	30,883,784
Deferred revenue	1,044,391
Total Current Liabilities	38,793,102
Total Liabilities	38,793,102
<b>Stockholder's Equity</b>	
Capital Stock	-
Preferred stock	-
Common stock	-
Additional paid-in capital	273,034,700
Current Earnings	(29,506,373)
Retained Earnings	(180,481,701)
Total Stockholder's Equity	63,046,626
Total Liabilities and Stockholder's Equity	101,839,729

**Consolidated Income Statement at 12/31/03**

	January 2003	Quarter Ending Feb-Apr 2003	Quarter Ending May-Jul 2003	Quarter Ending Aug-Oct 2003	November 2003	December 2003	Total 2003 Aug-Oct 2003
Net Revenue - External	7,231,458	20,783,473	21,350,221	21,300,198	6,774,713	6,475,751	83,915,814
Net Revenue - Interco (IDT Telecom)	378,419	537,676	650,331	660,818	195,514	225,261	2,648,019
	7,609,877	21,321,149	22,000,552	21,961,016	6,970,228	6,701,012	86,563,833
Cost of Revenue	5,758,985	13,983,972	13,212,474	12,299,179	3,814,169	3,535,102	52,603,881
Transfer from SG&A - Network Costs	2,342,258	7,139,713	7,155,248	6,618,398	2,218,938	2,143,585	27,618,140
	8,101,243	21,123,685	20,367,721	18,917,577	6,033,107	5,678,687	80,222,021
<b>Gross Profit</b>	<b>(491,366)</b>	<b>197,464</b>	<b>1,632,831</b>	<b>3,043,439</b>	<b>937,121</b>	<b>1,022,325</b>	<b>6,341,813</b>
<b>Selling, General and Administration</b>							
<u>Variable expenses</u>							
Commissions & MBO Bonuses	290,015	717,911	471,414	481,177	263,266	152,001	2,375,783
Agent Commissions	-	4,321	1,754	-	-	-	6,075
Bill Production	18,377	8,854	52,812	-	-	-	80,043
Provision for Bad Debt	470,255	1,275,917	1,183,091	1,381,068	385,946	358,956	5,055,233
<b>Total variable expenses</b>	<b>778,647</b>	<b>2,007,003</b>	<b>1,709,070</b>	<b>1,862,245</b>	<b>649,212</b>	<b>510,957</b>	<b>7,517,134</b>
<u>Departmental expenses</u>							
Employee Compensation	3,224,267	9,656,773	9,971,181	9,314,248	3,000,170	2,889,450	38,056,089
Employee Benefits & Payroll Taxes	721,769	2,131,077	365,675	1,459,561	423,536	230,160	5,331,778
Outside Services - Temp	174,415	650,704	492,979	108,388	19,971	20,793	1,467,250
Employee Motivation & Incentives	25,850	12,736	6,104	9,232	13,500	1,000	68,422
Dues & Subscriptions	(4,497)	54,323	14,390	19,760	2,876	12,408	99,260
Training Programs	706	11,411	8,208	3,266	13,714	537	37,841
Recruiting and Relocation	29,482	50,046	96,072	31,026	8,942	15,732	231,300
Travel and Entertainment	93,095	260,252	247,588	217,992	69,862	48,155	936,944
Supplies (Office & Kitchen)	8,612	55,827	113,285	116,748	12,993	14,327	321,792
PC Consumables	-	8,749	151	872	23,449	(1,589)	31,632
H/W Maintenance & S/W License Fees	76,876	163,948	148,493	103,653	34,073	35,211	562,254
Occupancy - Switches	519,727	1,873,280	1,730,767	574,151	269,574	191,950	5,159,449
Occupancy - Wireless Network	1,887,099	5,671,057	5,681,686	7,481,035	2,275,557	2,241,214	25,237,648
Occupancy - Warehouse	73,602	(164,616)	(262,822)	169,542	29,151	35,220	(119,923)
Communications - Personal	17,682	67,407	-	103,623	24,203	26,050	238,964
Outside Services - General	103,311	126,373	503,506	-	-	-	733,191
Freight, Postage & Messenger	41,326	90,108	117,588	126,787	24,429	12,189	412,426
Network Operations	72,445	346,458	287,599	-	-	-	706,502
Legal Services	3,455	34,272	94,607	126,489	71,422	13,571	343,816
Financial Services	9,689	3,637	50,362	(28,569)	8,923	12,161	56,203
Production Operations	-	2,880	1,220	-	-	-	4,100
Outside Services - Consulting	175,261	(9,241)	281,193	577,020	(157,361)	271,752	1,138,624
Marketing Programs	88,058	1,258,575	134,076	55,648	18,099	13,948	1,568,404
Occupancy - General	475,305	1,018,238	1,228,848	-	-	-	2,722,390
Communications - General	-	173	117,787	-	-	-	117,960
Outside Services - Equipment Rental	1,803	10,971	11,008	338,127	56,370	55,266	473,545
Miscellaneous	23,666	32,675	(12,687)	1,399	(13,799)	(11,211)	20,043
<b>Total Departmental Expenses</b>	<b>7,843,002</b>	<b>23,418,093</b>	<b>21,428,864</b>	<b>20,909,998</b>	<b>6,229,654</b>	<b>6,128,294</b>	<b>85,957,905</b>
<u>Unallocated expenses</u>							
Insurance	144,580	184,938	46,457	152,528	122,808	20,717	672,027
Property & other taxes	(188,585)	136,724	127,665	122,075	48,837	46,259	292,975
<b>Total Unallocated Expenses</b>	<b>(44,006)</b>	<b>321,662</b>	<b>174,122</b>	<b>274,603</b>	<b>171,645</b>	<b>66,976</b>	<b>965,002</b>
Transfer to COR - Network Costs	(2,342,258)	(7,139,713)	(7,155,248)	(6,637,197)	(2,218,938)	(2,143,585)	(27,636,939)
Capitalized Costs	(2,267,029)	(2,336,314)	(1,335,235)	(1,248,827)	(412,487)	(350,951)	(7,950,843)
Total Selling, General and Administration	3,968,357	16,270,730	14,821,573	15,160,822	4,419,086	4,211,691	58,852,258
<b>EBITDA</b>	<b>(4,459,723)</b>	<b>(16,073,266)</b>	<b>(13,188,742)</b>	<b>(12,117,383)</b>	<b>(3,481,965)</b>	<b>(3,189,366)</b>	<b>(52,510,446)</b>
Depreciation and amortization	1,245,054	3,551,794	3,660,055	3,809,415	1,291,874	1,300,557	14,858,750
Restructuring	-	-	4,500,000	4,175,000	-	-	8,675,000
Operating Income (Loss)	(5,704,777)	(19,625,060)	(21,348,797)	(20,101,798)	(4,773,839)	(4,489,923)	(76,044,196)
Other Income/(Expense)	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Interest income	20,433	(14,417)	(30,582)	(30,209)	(7,665)	(8,687)	(71,127)
Other	0	64,319	(55,997)	(19,400)	(37,320)	(37,531)	(85,930)
<b>Net Gain (Loss)</b>	<b>(5,684,344)</b>	<b>(19,575,159)</b>	<b>(21,435,376)</b>	<b>(20,151,407)</b>	<b>(4,818,824)</b>	<b>(4,536,141)</b>	<b>(76,201,252)</b>

## Winstar Communications, LLC

## Capital Expenditures Summary

12/01 IDT Purchase thru Q2 2003/2004

Activity	Fiscal Year Ending	Fixed Assets	Capitalized Labor
Purchase Price	2002	27,962,769 00	
Fixed Asset Additions	2002	4,925,560 13	
Adjust Purchase Price	2003	2,214,630 00	
Fixed Asset Additions	2003	3,453,520 86	
Broadband Unit Acquisition	2003	2,792,057 00	
Asset Sales	2003	-359,890 09	
5-Year Capitalized Labor	2003		3,929,977 65
2-Year Capitalized Labor	2003		2,008,600 72
Fixed Asset Additions	2004	1,261,021 37	
Asset Sales	2004	-1,100,427 44	
5-Year Capitalized Labor	2004		1,582,128 44
2-Year Capitalized Labor	2004		776,697 83
<b>Total</b>		<b>41,149,240.83</b>	<b>8,297,404.64</b>



Winstar Communications, LLC

Expense Account 60315

[illegible]

## GENERAL AFFIDAVIT

State of Maryland  
County of Prince George

**BEFORE ME**, the undersigned Notary, Peggy Branch-McCaskill *[name of Notary before whom affidavit is sworn]*, on this 1<sup>st</sup> *[day of month]* day of April *[month]*, 2004, personally appeared Mac McIntyre *[name of affiant]*, known to me to be a credible person and of lawful age, who being by me first duly sworn, on *her* oath, deposes and says:

Winstar Communications, LLC's notice of its CLEC application was sent to the eighteen (18) ILECs listed in Exhibit J of the Company's Application on April 1, 2004.  
*[set forth affiant's statement of facts]*

Mac McIntyre  
*[signature of affiant]*

Mac McIntyre  
*[typed name of affiant]*

1850 M St , N W., Suite 300  
*[address of affiant, line 1]*

Washington, DC 20036  
*[address of affiant, line 2]*

Subscribed and sworn to before me, this 1<sup>st</sup> *[day of month]* day of April *[month]*, 2004

*[Notary Seal:]*

Peggy Branch-McCaskill  
*[signature of Notary]*

Peggy Branch-McCaskill  
*[typed name of Notary]*

NOTARY PUBLIC

My commission expires

PEGGY BRANCH-McCASKILL  
NOTARY PUBLIC STATE OF MARYLAND  
My Commission Expires November 22, 2006



# TENNESSEE REGULATORY AUTHORITY

## TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond # 6176949

**WHEREAS,** Winstar Communications, LLC (the "Principal") has applied to the Tennessee Regulatory Authority for authority to provide telecommunications services in the State of Tennessee, and

**WHEREAS,** under the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated, as amended, the Principal is required to file this bond in order to obtain such authority and to secure the payment of any monetary sanction imposed in any enforcement proceeding brought under Title 65 of the Tennessee Code Annotated or the Consumer Telemarketing Act of 1990 by or on behalf of the Tennessee Regulatory Authority (the "TRA"), and

**WHEREAS,** SAFECO Insurance Company of America (the "Surety"), a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, has agreed to issue this bond in order to permit the Principal to comply with the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated,

**NOW THEREFORE, BE IT KNOWN,** that we the Principal and the Surety are held and firmly bound to the STATE OF TENNESSEE, in accordance with the provisions of Tennessee Code Annotated, Title 65, Chapter 4, Section 125(j), in the full amount of twenty thousand dollars (\$20,000 00) lawful money of the United States of America to be used for the full and prompt payment of any monetary sanction imposed against the Principal, its representatives, successors or assigns, in any enforcement proceeding brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA, for which obligation we bind ourselves, our representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents

This bond shall become effective on the 11th day of March, 2004, and shall be continuous, provided, however, that each annual renewal period or portion thereof shall constitute a new bond term. Regardless of the number of years this bond may remain in force, the liability of the Surety shall not be cumulative, and the aggregate liability of the Surety for any and all claims, suits or actions under this bond shall not exceed Twenty Thousand Dollars (\$20,000 00). The Surety may cancel this bond by giving thirty (30) days written notice of such cancellation to the TRA and Principal by certified mail, it being understood that the Surety shall not be relieved of liability that may have accrued under this bond prior to the date of cancellation.

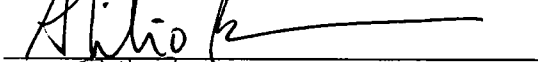
### PRINCIPAL

Winstar Communications, LLC

Name of Company authorized by the TRA

Company ID # as assigned by TRA

SIGNATURE OF PRINCIPAL



Name: Bill Pereira

Title: Chief Financial Officer

### SURETY

SAFECO Insurance Company of America

Name of Surety

1200 MacArthur Blvd, Mahwah, NJ 07430  
Address of Surety

SIGNATURE OF SURETY AGENT



Name: Milena Langert

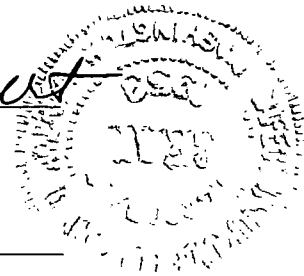
Title: Attorney-in-fact

Address of Surety Agent:

The Treiber Group, LLC

377 Oak Street, CS601

Garden City, NY 11530



**THIS BOND IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 125, CHAPTER 4, TITLE 65 OF THE TENNESSEE CODE ANNOTATED AS AMENDED BY CHAPTER NO. 586, 2000 PUBLIC ACTS. SHOULD THERE BE ANY CONFLICT WITH THE TERMS HEREOF AND THE STATUTE OR REGULATIONS PROMULGATED THEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)**

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Before me, a Notary Public of the State and County aforesaid, personally appeared Bill Pereira  
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing  
bond on behalf of Winstar Communications, LLC, and he acknowledged to me that he executed the same

WITNESS my hand and seal this 19 day of March, 2004

My Commission Expires

\_\_\_\_\_, 20\_\_\_\_

Charlene Krauss  
Notary Public

**CHARLENE KRAUSS**  
NOTARY PUBLIC OF NEW JERSEY  
ID# 2307650  
MY COMMISSION EXPIRES 11/18/08

ACKNOWLEDGMENT OF SURETY

STATE OF New York  
COUNTY OF Nassau

Before me, a Notary Public of the State and County aforesaid, personally appeared Milena Langert  
with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the  
foregoing bond on behalf of SAFECO Insurance Company of America, the within named Surety, a corporation licensed to do business in the  
State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state  
pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, and that he as such an individual being authorized to do so,  
executed the foregoing bond, by signing the name of the corporation by himself and as such individual

WITNESS my hand and seal this 11th day of March, 2004

My Commission Expires

\_\_\_\_\_, 2000  
**SHARON SCHISSEL**  
NOTARY PUBLIC, State of New York  
No. 01SC6065816  
Qualified in Queens County  
Commission Expires October 29, 2005

Sharon Schissel  
Notary Public

APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the  
sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory  
Authority, State of Tennessee, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

Bill Pereira  
Name: Bill Pereira  
Title: Chief Financial Officer

Exhibit Q



**SAFECO™**

**POWER  
OF ATTORNEY**

SAFECO INSURANCE COMPANY OF AMERICA  
GENERAL INSURANCE COMPANY OF AMERICA  
HOME OFFICE SAFECO PLAZA  
SEATTLE, WASHINGTON 98185

No 9423

**KNOW ALL BY THESE PRESENTS**

That **SAFECO INSURANCE COMPANY OF AMERICA** and **GENERAL INSURANCE COMPANY OF AMERICA**, each a Washington corporation, does each hereby appoint

\*\*\*\*\***CRAIG H TREIBER, JOHN H TREIBER, RICHARD GUARINI, GARY MORRISSEY, MILENA LANGERT, JEAN C SPEIRS, ROBERT G TYNAN**, Garden City, New York\*\*\*\*\*

its true and lawful attorney(s)-in-fact, with full authority to execute on its behalf fidelity and surety bonds or undertakings and other documents of a similar character issued in the course of its business, and to bind the respective company thereby

**IN WITNESS WHEREOF, SAFECO INSURANCE COMPANY OF AMERICA and GENERAL INSURANCE COMPANY OF AMERICA** have each executed and attested these presents

this 29 day of September, 1998

*R A Pierson*

**R A PIERSON, SECRETARY**

*W. Randall Stoddard*

**W RANDALL STODDARD, PRESIDENT**

**CERTIFICATE**

Extract from the By-Laws of **SAFECO INSURANCE COMPANY OF AMERICA**  
and of **GENERAL INSURANCE COMPANY OF AMERICA**

"Article V, Section 13 - FIDELITY AND SURETY BONDS the President, any Vice President, the Secretary, and any Assistant Vice President appointed for that purpose by the officer in charge of surety operations, shall each have authority to appoint individuals as attorneys-in-fact or under other appropriate titles with authority to execute on behalf of the company fidelity and surety bonds and other documents of similar character issued by the company in the course of its business On any instrument making or evidencing such appointment, the signatures may be affixed by facsimile On any instrument conferring such authority or on any bond or undertaking of the company, the seal, or a facsimile thereof, may be impressed or affixed or in any other manner reproduced, provided, however, that the seal shall not be necessary to the validity of any such instrument or undertaking "

Extract from a Resolution of the Board of Directors of **SAFECO INSURANCE COMPANY OF AMERICA**  
and of **GENERAL INSURANCE COMPANY OF AMERICA** adopted July 28, 1970

"On any certificate executed by the Secretary or an assistant secretary of the Company setting out,

- (i) The provisions of Article V, Section 13 of the By-Laws, and
- (ii) A copy of the power-of-attorney appointment, executed pursuant thereto, and
- (iii) Certifying that said power-of-attorney appointment is in full force and effect,

the signature of the certifying officer may be by facsimile, and the seal of the Company may be a facsimile thereof "

I, **R A Pierson, Secretary of SAFECO INSURANCE COMPANY OF AMERICA and of GENERAL INSURANCE COMPANY OF AMERICA**, do hereby certify that the foregoing extracts of the By-Laws and of a Resolution of the Board of Directors of these corporations, and of a Power of Attorney issued pursuant thereto, are true and correct, and that both the By-Laws, the Resolution and the Power of Attorney are still in full force and effect

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the facsimile seal of said corporation

this 11th day of March, 2004



*R A Pierson*

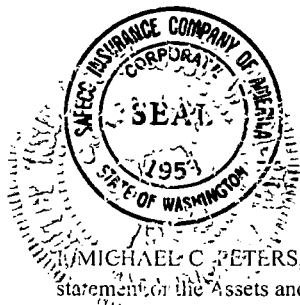
**R A PIERSON, SECRETARY**



SAFECO INSURANCE COMPANY OF AMERICA

FINANCIAL STATEMENT — DECEMBER 31, 2002

Assets		Liabilities	
Cash and Bank Deposits	\$ 179,469,961	Unearned Premiums	\$ 595,543,757
*Bonds — U S Government	268,315,526	Reserve for Claims and Claims Expense	1,496,818,407
*Other Bonds	1,951,399,639	Funds Held Under Reinsurance Treaties	440,473
*Stocks	389,420,765	Reserve for Dividends to Policyholders	2,564,831
Real Estate	13,429,179	Additional Statutory Reserve	—
Agents' Balances or Uncollected Premiums	296,414,018	Reserve for Commissions, Taxes and	
Accrued Interest and Rents	34,269,055	Other Liabilities	<u>463,560,925</u>
Other Admitted Assets	<u>252,280,905</u>	<b>Total .....</b>	<b>\$2,558,928,393</b>
<b>Total Admitted Assets .....</b>	<b><u>\$3,384,999,048</u></b>	Capital Stock	\$ 5,000,000
		Paid in Surplus	227,306,484
		Unassigned Surplus	<u>593,764,171</u>
		<b>Surplus to Policyholders .....</b>	<b><u>826,070,655</u></b>
		<b>Total Liabilities and Surplus .....</b>	<b><u>\$3,384,999,048</u></b>



\* Bonds are stated at amortized or investment value, Stocks at Association Market Values  
Securities carried at \$113,865,629 are deposited as required by law

MICHAEL C. PETERS, president of SAFECO National Insurance Company, do hereby certify that the foregoing is a true, and correct statement of the Assets and Liabilities of said Corporation, as of December 31, 2002, to the best of my knowledge and belief

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Corporation at Seattle, Washington, this 1st day of March, 2003

\_\_\_\_\_  
President